

BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001

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POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

CLASSIFICATION AND FEES FOR WEIGHT-AVERAGED  
NONLETTER-SIZE BUSINESS REPLY MAIL, 1999

Docket No. MC99-2

**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
TO QUESTION POSED AT TECHNICAL CONFERENCE  
OF WITNESS LESLIE SCHENK  
(April 30, 1999)**

The United States Postal Service hereby gives notice that it is filing today with the Commission its response to a question posed at the April 20, 1999, technical conference of witness Leslie Schenk. The question has been redirected from witness Schenk to the Postal Service for response.

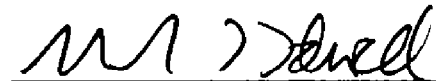
The question is paraphrased and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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RESPONSE OF THE UNITED STATES POSTAL SERVICE  
TO QUESTION POSED AT THE APRIL 20, 1999, TECHNICAL CONFERENCE  
OF WITNESS LESLIE SCHENK

QUESTION:

Witness Schenk's testimony in Docket No. MC99-2 (USPS-T-3, page 11, line 8, through page 12, line 13) includes a discussion of the wage rates provided by the Postal Service and used in her cost study. Please explain the derivation of the FY 1999 and FY 2000 wage rates used by witness Schenk.

RESPONSE:

**FY 1999**

To reflect the type of Postal Service personnel used to weight-average nonletter-size Business Reply Mail, the wage rate used by witness Schenk is for Total Cost Segment 3 clerks/mailhandlers, excluding Remote Encoding Centers (RECs). The actual FY 1998 wage rate for this portion of Cost Segment 3 is \$25.33.

Because the data reflecting the impact of the wage agreement were not broken out for RECs versus non-RECs, the percentage increase in the total Cost Segment 3 clerks/mailhandlers wage rate was estimated for FY 1999, and then applied to the FY 1998 wage rate of \$25.33. As witness Schenk testified (beginning at page 12, line 20):

The percentage increase in the Total Cost Segment clerks/mailhandlers wage rate from FY 1998 to FY 1999, which includes wage increases, COLA, and health benefits, is estimated to be 3.85 percent (from \$24.94 to \$25.90). Applying this percentage increase to the non-REC wage rate, the non-REC FY 1999 wage rate is estimated to be \$26.30. [ $\$25.33 \times 1.0385$ ]

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RESPONSE to Technical Conference Question (cont'd):

The estimated FY 1999 wage rate of \$25.90 was calculated by the Postal Service for witness Schenk by developing approximate amounts for the FY1999 increases:

GFY 1998 Salary/Benefits for CS 3	\$44,535
Wage Increase	1,315
COLA	282
Health Benefits Increase	<u>240</u>
Total for GFY 99	\$46,372

$$\$46,372/1790.5 \text{ workhours per year} = \underline{\$25.90}$$

**FY 2000**

When the Postal Service determined that it would propose to extend the nonletter-size BRM experiment until as late as February 29, 2000 (or until the permanent rates become effective, whichever occurs first), it recognized the need to develop an approximation of underlying costs beyond the end of FY 1999, since FY 1999 costs would not necessarily be representative of costs incurred through the end of February, 2000. Accordingly, the FY 1999 wage rate was increased by 2.93 percent to account for wage increases, COLA, and health benefit increases through the end of FY 2000. The 2.93 percent increase for FY 2000, cited by witness Schenk on page 12 of

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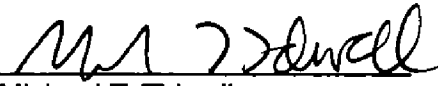
RESPONSE to Technical Conference Question (cont'd):

her testimony, was an approximation that used a wage increase of 1.2%, COLA increases amounting to 1.04%, and a health benefit increase that amounted to about 0.7 percent.

The Postal Service notes that its fee proposals are robust over a range of wage rate estimates. For example, if the FY 1999 wage rate were increased by an artificially high 5.0%, instead of the 2.93% actually used, the resulting FY 2000 wage rate would be \$27.62 ( $\$26.30 * 1.05$ ). Plugging this hypothetical wage rate into witness Schenk's Table 4 (as revised 4/26/99) results in an increase of approximately \$10 in the fixed cost per Accounting Period (from \$464.63 to \$474.20). The cost per piece for daily weighing would increase from \$.0055 to \$.0057.

### **CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing is being mailed today to all parties of record in accordance with Rule 12 of the Commission's Rules of Practice and Procedure.

  
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